



Maricopa County

Internal Audit Department

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To: Don Stapley, Chairman, Board of Supervisors
Fulton Brock, Supervisor, District I
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Max W. Wilson, Supervisor, District IV
Mary Rose Wilcox, Supervisor, District V

From: Ross L. Tate, County Auditor 

Subject: County Attorney's Office Transition Audit

Date: October 14, 2010

In accordance with the Board-approved audit plan, we performed transition audit procedures at the Maricopa County Attorney's Office (MCAO). Transition audits are commonly performed to help ensure accountability over public assets during administration changes. In April 2010, Andrew Thomas resigned from the office of Maricopa County Attorney and the Board appointed Richard Romley as Interim County Attorney. Our findings are outlined below.

Objectives

We performed transition audit procedures in six primary areas. A summary of our results and the questions that guided our review appear below. Details are provided on following pages.

Summary of Results			
Areas Reviewed	Yes	No	Page Ref.
1. ACCESS AND SECURITY Was access to information systems and County facilities properly restricted?		✓	3
2. TRAVEL Was employee travel reimbursed in accordance with County policy?		✓	4
3. FIXED AND OTHER ASSETS Were assets assigned to employees returned timely?		Unable to determine	5

Summary of Results (Continued)			
Areas Reviewed	Yes	No	Page Ref.
4. BANK ACCOUNTS			
A. Were bank accounts properly reconciled?		✓	6
B. Did identified bank accounts have a valid business purpose?	✓		
5. CASH FUNDS			
Were identified petty cash and change funds accounted for?	✓		6
6. PURCHASING CARDS (P-Cards)			
Were P-Cards properly terminated?	✓		6

Scope and Methodology

To satisfy these objectives, we interviewed key personnel and reviewed the following:

- 1) County badge and IT system access records
- 2) Inventory control listings
- 3) Employee property checklists
- 4) FY10 travel claims (11 claims totaling \$8,375 for 7 senior managers)
- 5) P-Card records (1 current and 3 former employees)

We also reviewed seven of nine MCAO petty cash/change funds reported by the Department of Finance (DOF), as well as bank records and a sample of disbursements from July 2008 to May 2010 for two of three external accounts reported by MCAO and DOF. We did not review the Racketeer Influenced and Corrupt Organization (RICO) bank account, which is currently being reviewed by the State of Arizona Office of the Auditor General.

Our work was focused on 21 employees separated from MCAO (or placed on administrative leave) from September 2009 to May 2010, except as noted. Payroll and employee-related expenditures, as well as expenditures under the Crime Victim Compensation Program, were outside of the scope of this review based on audit work performed in FY 2010.¹ Areas not listed above, including general fund expenditures, will be considered for review during an MCAO audit scheduled for later this fiscal year.

¹ Maricopa County Internal Audit report issued July 2010. See County Attorney's Office "Payroll Controls Over Time and Attendance Need Improvement" at www.maricopa.gov/internal_audit.

Criteria

- Maricopa County Administrative Policy #A2313 (Travel Policy)
- Maricopa County Administrative Policy #A2500 (Petty Cash Fund and Change Fund Policy)
- Maricopa County Administrative Policy #A2504 (Establishing Outside Bank Accounts)
- Maricopa County Procurement Card Policy
- Maricopa County Security System Guidelines #A1922
- Maricopa County Workforce Management and Development "Out-Processing Guide"
- MCAO Employee Policies and Procedures (General Office Administrative Procedures and Personnel Policies and Procedures)

Condition

1. Access and Security

Information Systems

MCAO has not established a reliable system to ensure that access to information systems is properly disabled when employment ends. This is due largely to a lack of written policies and procedures. For 7 of 20 employees reviewed (35%), requests to disable access were not submitted for over 30 days, including 2 instances where access was not disabled for 6 or more months. For 2 employees, access was still active nearly 3 months after separation. While we did not identify any improper system access, the risk is greatly increased when access is not disabled timely.

County Facilities

MCAO employees access County facilities using badges and combination codes. Protective Services manages badge access for entry into County buildings, while the MCAO Investigations Division manages entry into MCAO offices.

Badge access to County facilities was disabled timely by Protective Services for all employees reviewed. Access to MCAO offices had also been disabled by the MCAO Investigations Division at the time of our review. However, we were unable to determine the timeliness of the action, as badge records are deleted when access is disabled. According to MCAO, records are deleted due to limited storage space. However, County policy #A1922 (Security System Guidelines) requires that badge records be retained.

Recommendation 1: MCAO should (a) establish and enforce written policies and procedures to ensure that information systems access is disabled in a timely manner, and (b) ensure that badge access records are retained in accordance with County policy.

2. Travel

Internal controls were not in place to ensure compliance with the County travel policy. We identified (a) two claims totaling \$3,724 that lacked sufficient documentation to verify that travel was for a valid business purpose (see #1 below), and (b) overpayments totaling \$584 (see #2 below).

In addition, travelers did not sign to affirm that expenses were actually incurred, and claims were not always submitted timely or approved in advance. Failure to follow travel policy increases the risk of fraud, waste, and abuse, and has resulted in ineligible travel expenses being reimbursed. Our findings are detailed below.

Travel Claim Exceptions	
1.	<p>For two claims, there was insufficient documentation to verify that travel was for the public's benefit/related to the department's business activities.</p> <p>(a) B. Lotstein trip to Washington, D.C. in September 2009. Expenses for this 2.5 day trip totaled \$2,393, including \$1,627 for roundtrip airfare booked 1 day in advance. "Meet with outside counsel" was reflected in the "Name of Seminar/Conference" field on the claim. The "Reason for Travel" field was blank.</p> <p>(b) A. Thomas trip to Houston, TX in August 2009. Expenses for this 3 day trip totaled \$1,331. "Meet with Houston County Attorney" was reflected in the "Name of Seminar/Conference" field on the claim. The "Reason for Travel" field was blank.</p> <p>In both cases, the signed claims lacked the required Traveler's Certification to affirm that expenses were incurred in the performance of County business (see #3).</p>
2.	<p>(a) Two overpayments to A. Thomas totaling \$356 were noted:</p> <p>(i) Overpaid \$143 for 3 nights of lodging in Houston, TX in August 2009. Rates paid (\$149/night X 2 nights and \$175 X 1 night) exceeded allowable rate (\$110/night). Required justification for exceeding rate, if any, was not attached to the claim.</p> <p>(ii) Overpaid \$213 for rental car and hotel parking fees in Miami, FL in July 2009. There was no documentation to support the need for a rental vehicle for 3 days while staying at a conference hotel. Three other MCAO employees attending the conference were reimbursed for roundtrip transportation to/from airport/hotel. There was no evidence of an overall reduction in costs. NOTE: The County travel policy states that, "The use of rented motor vehicles must be for the advantage of the County/Special Districts and not for the personal convenience of the traveler. The use of rented motor vehicles should only be considered when rental of a vehicle would result in an overall reduction in the budget expenditure for a particular trip."</p> <p>(b) One overpayment to M. Gojkovich totaling \$228 for 3 nights of lodging in Flagstaff, AZ in July 2009. The rate paid (\$169/night) exceeded the allowable rate (\$93/night); other MCAO employees received the conference rate of \$81/night. Per MCAO, Gojkovich was not eligible for the conference rate as she was not a member of the sponsoring organization. Availability at nearby hotels was not determined, and approval for exceeding allowable rate was not attached to claim.</p>

Travel Claim Exceptions (Continued)	
3.	Seven claims were not signed by the traveler and thus did not contain the required Traveler's Certification that, "... the preceding is a true statement of actual expenses incurred in the performance of County/Special District business." While 6 of 7 travelers did sign MCAO's supplementary Travel Expense Report and Claim, that form does not contain the required certification. In one instance, neither the claim nor the supplementary report was signed by the employee.
4.	Three claims were not submitted within 14 calendar days of completion of travel, as required by policy. The forms were submitted 24 - 43 days after completion of travel. One claim was not approved in advance.

Recommendation 2: MCAO should (a) strengthen controls to ensure compliance with the County travel policy, and (b) seek repayment for all ineligible reimbursements.

3. Fixed and Other Assets

MCAO uses property checklists to track assets assigned to employees. It appears that all assets listed on the 21 checklists reviewed were returned. However, we have no assurance regarding the accuracy and completeness of these checklists, as internal policies are not consistently enforced, as outlined below.

- 5 items (1 vehicle, 2 P-Cards, and 2 cell phones) were shown as outstanding, although we determined that the items were returned
- 1 laptop was reported as assigned to A. Thomas. According to MCAO's IT Division, this was an input error, as their records indicate all 3 laptops assigned to Thomas during his tenure were returned. This could not be verified, as no asset number was entered on the checklist.
- 5 items (ID badges) were not listed on the checklists, as required
- 3 items (2 laptops and 1 remote access token) appeared not to have been returned for 8 – 41 days after the employees' separation, based on the "Return Date" reflected on the checklists. However, according to MCAO, the assets were returned upon the employees' separation and the "Return Date" reflected is the date the checklist was updated. (Actual return date was not recorded.)

Inadequate tracking of County assets and the failure to properly enforce policy increases the risk of loss, theft, and misuse.

Recommendation 3: MCAO should ensure that property checklists are accurate and complete, and that changes are recorded in a timely manner.

4. Bank Accounts

According to DOF and MCAO management, MCAO has three outside bank accounts:

- Bad Check Program Checking Account – Account is used to hold funds collected from bad check writers for victims (i.e., recipients of bad checks).
- Bad Check Program Savings Account – Account was established to hold funds transferred from the Bad Check Program checking account in order to accumulate a higher interest rate on undistributed collections.
- Asset Forfeiture (RICO) Checking Account – Account is required by state statute and is used to maintain the confidentiality of individuals receiving payments related to anti-racketeering activities. (This account is currently being reviewed by the State of Arizona Office of the Auditor General and was outside the scope of our review.)

A valid business purpose exists for both Bad Check Program accounts; no unauthorized transactions were identified. However, internal controls need improvement, as monthly reconciliations had not been prepared for the savings account for at least 11 months (July 2009 – May 2010), or the checking account for three months (March – May 2010). Further, checking account reconciliations for July 2009 – February 2010 were not signed or dated. The lack of proper reconciliations increases the risk that bank errors and unauthorized disbursements could occur and go undetected.

Recommendation 4: MCAO should ensure that all bank accounts are reconciled monthly by an employee who (a) is not a signer on the account, and (b) does not have responsibilities for disbursing checks or making deposits. The reconciliations should be reviewed/approved by an independent second employee. Both employees should be required to sign and date the reconciliations.

5. Cash Funds

According to DOF and MCAO management, MCAO has six petty cash funds and three change funds totaling \$5,825. We counted four of six petty cash funds and all three change funds, and found that all were accounted for and properly safeguarded. Minor policy exceptions were noted and reported to MCAO management.

6. Purchasing Cards (P-Cards)

Four employees sampled had been assigned County P-Cards. We verified that all of the cards were deactivated. However, in two instances, the cards were not canceled for five-to-seven days after the separation date. No improper activity was noted. We also reviewed ten transactions totaling \$2,207 for one current and three former employees. No inappropriate purchases were noted; however, a

few policy exceptions were reported to MCAO management (e.g., logs were not always signed and one fuel purchase receipt was missing).

Auditing Standards

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We appreciate the cooperation provided by MCAO during this review. If you have any questions, please contact Richard Chard, Deputy County Auditor, at 602-506-7539.

C: Richard Romley, Interim County Attorney
Carol McFadden, Chief Executive, County Attorney's Office
Shelby Scharbach, Chief Financial Officer
Janet Palacino, Director, Facilities Management
Jordan Dacquisto, Protective Services Division Director, Facilities Management

AUDIT RESPONSE
MARICOPA COUNTY ATTORNEY
OCTOBER 2010

Issue #1 – Access and Security: MCAO has not established a reliable system to ensure that access to information systems is properly disabled when employment ends. In addition, badge access records are not retained in accordance with County policy.

Recommendation: MCAO should (a) establish and enforce written policies and procedures to ensure that information systems access is disabled in a timely manner, and (b) ensure that badge access records are retained in accordance with County policy.

Response: Concur, in process. The County Attorney's Office has protocol in place to disable MCAO badges upon termination of employment. The Security Access Administrator will develop a desk manual to include a description of the process to disable accounts, to include maintaining a log of the date and name of the employee/contractor badge that was disabled. MCAO is also exploring the possibility of upgrading the current security access system, which may automatically record and maintain disabled dates.

Target Completion Date: October 30, 2010

Benefits/Costs: Documentation of steps taken to disable badge access.

Issue #2 - Travel: Internal controls were not in place to ensure compliance with the County travel policy. Two claims totaling \$3,724 lacked sufficient documentation to verify that travel was for a valid business purpose, and two reimbursements included overpayments totaling \$584. In addition, travelers did not sign to affirm that expenses were actually incurred, and claims were not always submitted timely or approved in advance.

Recommendation: MCAO should (a) strengthen controls to ensure compliance with the County travel policy, and (b) seek repayment for all ineligible reimbursements.

Response: Concur, in part – completed. In both instances cited in 2 (a) and (b) of the audit, expenses were approved but documentation evidencing approval was not maintained with the travel records. MCAO has taken steps to ensure that all travel requests include information on the public benefit related to the travel, include justification of travel in excess of the federal authorized rate, and improve processes for retrieving documentation from employees upon travel completion.

Target Completion Date: Completed.

Benefits/Costs: Improved documentation of travel expenses.

Issue #3 – Fixed and Other Assets: County assets assigned to employees are not properly tracked and internal policies are not consistently enforced.

Recommendation: MCAO should ensure that property checklists are accurate and complete, and that changes are recorded in a timely manner.

Response: Concur – in process. The County Attorney's Office currently has a software system to track property assigned to employees and procedures that detail the protocol for adding, revising, and deleting property from an employee's checklist. MCAO has taken steps to reinforce the need to enter information in a timely manner, update information on a regular basis and improve communication between the various entities responsible for entering property assignment. In the future, MCAO will be implementing new help desk software that will improve the efficiency of entering laptops, remote access tokens, and cell phones into the personal property checklist when the equipment is issued and when equipment is returned.

Target Completion Date: November 30, 2011

Benefits/Costs: Accurate accounting of county issued property.

Issue #4 – Bank Accounts: Bank accounts are not properly reconciled.

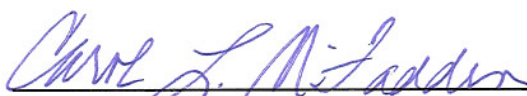
Recommendation: MCAO should ensure that all bank accounts are reconciled monthly by an employee (a) who is not a signer on the account, and (b) who does not have responsibilities for disbursing checks or making deposits. The reconciliations should be reviewed/approved by an independent second employee. Both employees should be required to sign and date the reconciliations.

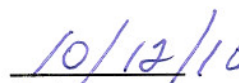
Response: Concur – in process. MCAO is currently working on completing the reconciliations for both Check Enforcement accounts. The reconciliations are being completed by someone independent from the other Check Enforcement responsibilities. Once completed, all reconciliations will be reviewed by a second independent employee and both the reconciler and reviewer will sign and date each.

Target Completion Date: December 31, 2010

Benefits/Costs: Accurate accounting for the Check Enforcement Bureau accounts.

Approved By:


Executive Chief


Date